




DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General
Atlanta Field Office - Audit Division
3003 Chamblee Tucker Rd
Atlanta, GA 30341

May 20, 2003

MEMORANDUM

TO: Joseph Picciano
Acting Regional Director, FEMA Region II

FROM: 
Gary J. Barard
Field Office Director

SUBJECT: Audit of New York State Emergency Management Office
FEMA Disaster No. 1391-DR-NY
Audit Report No. DA-10-03

The Office of Inspector General (OIG) performed an audit of public assistance administrative funds provided to the New York State Emergency Management Office (SEMO) for Disaster No. 1391. The objective of the audit was to determine whether SEMO was accounting for and using such funds in accordance with Federal regulations and FEMA guidelines.

The Governor of the State of New York designated the Director of SEMO as the Governor's Authorized Representative (GAR) for disaster assistance programs. As such, the Director and his office have responsibility for overall administration of funds awarded to eligible government agencies and non-profit organizations for the implementation of projects designed to facilitate recovery from a disaster. SEMO, as the grantee, received an administrative allowance and State management grants to cover costs associated with program administration. SEMO responsibilities include:

- Accounting for and reporting on the receipt and disbursement of program funds;
- Awarding program funds to subgrantees and monitoring the use of funds to ensure compliance with FEMA requirements; and
- Closing the Public Assistance projects and subgrants made under each disaster declaration.

The audit covered the period September 2001 through September 2002. During this period, SEMO was awarded \$7,493,026 of administrative funds under Disaster No. 1391, consisting of \$7,030,265 in statutory administrative allowances and a \$462,761 State management grant.

The OIG performed, the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The audit included tests of

SEMO's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

RESULTS OF AUDIT

SEMO was not properly accounting for expenditures allocable to the statutory administrative fund and did not have an effective system to support salary costs distributed among FEMA programs.

- A. Accounting for Statutory Administrative Funds. SEMO had not established a separate account to document and accumulate costs that are allocable to its statutory administrative allowance. As a result, SEMO has not accounted for expenditures allocable to the allowance, or maintained an accurate accounting of the available balance.

SEMO received FEMA Disaster 1391 funds, for its direct implementation and internal use, from three different sources. Pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act, SEMO received a statutory administrative allowance of over \$7 million to cover the extraordinary cost directly associated with administering the Public Assistance Program. This allowance is based on a statutorily mandated sliding scale percentage (ranging from one-half percent to three percent) that is applied to the total amount of Federal disaster assistance funds awarded under the program.

SEMO also received a State management grant of \$462,761 to cover ordinary or regular cost directly associated with administering the program, and a public assistance grant of \$2.4 million to perform emergency protective services in the State following the disaster.

Federal regulations (44 CFR 206.205) require SEMO to establish a separate account to document and accumulate cost for each of the above activities. Federal regulation (44 CFR 13.20) also requires SEMO to establish fiscal controls and accounting procedures to ensure that FEMA funds are used appropriately. However, a separate account and fiscal controls were established for all but the statutory allowance.

SEMO established two accounts in the State General Fund to document and accumulate cost for Disaster No. 1391. A salary expenditure account was established to accumulate regular and overtime salaries. Another expenditure account was established to accumulate the other categories of cost, such as travel, contract, supplies, material, and equipment.

To separately account for the State management grant and emergency protective services cost by activity, SEMO extracted expenditures from the general fund accounts and listed the expenses on a computerized spreadsheet by FEMA funding source. However, a spreadsheet was not prepared to document and accumulate costs allocable to the statutory administrative fund. SEMO officials stated that a spreadsheet was not prepared because no statutory administrative funds had been drawn down. However, this lack of accounting does not promote proper cost allocation among FEMA activities.

For example, the statutory administrative fund is provided to cover extraordinary cost incurred for the formulation of project worksheets, validation of small projects, and field inspections. This cost includes overtime pay, per diem, and travel expenses. The OIG staff verified that SEMO incurred these expenses during the administration of FEMA Disaster No. 1391, but some of the expenses were being improperly charged to the emergency services project (No. 1445). Specifically, SEMO charged \$2,999 of travel expenses to the project that were associated with employees meeting with FEMA and City of New York officials on disaster recovery activity. However, these expenses were administrative in nature and should have been charged to the statutory administrative fund, not the emergency services project.

- B. Personnel Activity Reporting System. SEMO had not established a personnel activity reporting system to support salary cost distributed among FEMA funded activities. As a result, there are no assurances that salary costs charged to FEMA funded activities are accurate and reliable.

SEMO distributed employees' salaries to different FEMA funded activities. Regular salaries of the 69 SEMO employees, totaling \$462,761, were charged to the State management grant (No.1308). These salaries were for the period September 13, 2001 to January 2, 2002. During this same period, SEMO charged \$66,459 of the employees' overtime salaries to emergency protective services project. Contrary to regulation (OMB Circular A-87), the distribution of the employees' salaries between these two different FEMA activities was not supported by time distribution records or personnel activity reports.

SEMO officials stated that a personnel activity reporting system would be implemented to comply with Federal requirements.

RECOMMENDATIONS

The OIG recommends that the Acting Regional Director, Region II, require SEMO to:

1. Establish a separate account to document and accumulate expenses allocable to the statutory administrative fund under FEMA Disaster No. 1391; and
2. Develop a personnel activity-reporting system that documents and supports salary cost distributed among the various FEMA funded activities.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The OIG discussed the results of our audit with SEMO and FEMA officials on May 14, 2003. SEMO officials concurred with our findings.

Pursuant to FEMA Instruction 1270.1, please advise the Atlanta Field Office—Audit Division by July 21, 2003, of the actions taken to implement our recommendations. Should you have any questions concerning this report, please contact George Peoples or me at (770) 220-5242.